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ABSTRACT

This report on child care services is based on: (1) a review of program administration at the central and regional offices of the Social and Rehabilitation Service and the Office of Child Development, and (2) a review of selected child care providers in nine states. The program and fiscal management at each administrative level were evaluated, through available data concerning: (1) the effectiveness of the Title IV-A and IV-C programs in meeting statutory objectives, (2) the extent of compliance with federal, state, and local child care requirements, and (3) the procedures for payments to families and child care providers. Findings reveal many program inadequacies and a need for (1) closer monitoring of compliance with the health and safety and child/staff ratio provisions of the federal, state, and local child care requirements, and (2) better regulation enforcement procedures. Appendixes contain tables and correspondence. (CS)

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REVIEW OF CHILD CARE SERVICES PROVIDED UNDER TITLE IV, SOCIAL SECURITY ACT

PS 007805

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20201

NOV 4 1974

AUDIT AGENCY

Mr. James S. Dwight, Jr.
Administrator, Social and Rehabilitation Service
Department of Health, Education, and Welfare
300 C Street, S.W.
Washington, D. C. 20201

Dear Mr. Dwight:

Enclosed is our report on child care services provided under Title IV of the Social Security Act. It is based on our review of program administration at the SRS and OCD central and regional offices as well as nine selected States. For fiscal year 1974 the reviewed States received an estimated $131 million, or 19 percent of total Federal funding, for providing about 173,000 child care years of service. Individual audit reports being issued to State agencies and HEW regional offices include recommendations for improving administration at those levels.

Increasing numbers of families and children are being helped by child care services as a result of HEW efforts. The estimated amount of Title IV child care services has grown from 258,000 child care years in fiscal year 1971 to 777,000, at a Federal cost of $700 million, in fiscal year 1974.

Although Department officials responsible for child care have exhibited continuing interest in the quality as well as the quantity of services, we found that significant improvements can be made in three aspects of program administration: (1) systematically measuring the effectiveness of child care programs in accomplishing statutory objectives; (2) upgrading compliance with Federal, State, and local child care service standards including health and safety requirements; and (3) controlling payments to providers under contracts.

Confusion over the roles of SRS and OCD in conjunction with a need for improved coordination, both at the central and regional office levels, has contributed particularly to the compliance problems. We recommended that the responsibilities of SRS and OCD be more clearly defined.

We further recommended that:

--SRS assist the States in implementing systems which would disclose the extent that the child care programs are accomplishing the objectives of Title IV.

--SRS develop a program to assist the States in upgrading compliance with Federal, State, and local service standards.

--SRS provide policy guidance to the States on procedures for improving control of payments to contracted child care providers.

Your staff expressed general concurrence with our findings and recommendations. Their comments are included in the report.

Although OCD did not provide formal comments on our draft report, its staff agreed that it could be issued without revision.

We hope this report will help you in administering the program. Any questions or further comments would be welcomed. Also, we would appreciate being advised within 60 days of the status of corrective actions.

Copies of this report are being sent to the Secretary and other top Department officials.

Sincerely yours,

E. W. Stepnick

Edward W. Stepnick
Director, HEW Audit Agency

Enclosure

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20201

NOV 4 1974

AUDIT AGENCY

Mr. Stanley B. Thomas, Jr.
Assistant Secretary for Human Development
Department of Health, Education, and Welfare
330 Independence Avenue, S. W.
Washington, D. C. 20201

Dear Mr. Thomas:

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E W Stepnick

Edward W. Stepnick
Director, HEW Audit Agency

Enclosure

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REPORT ON
REVIEW OF CHILD CARE SERVICES
PROVIDED UNDER TITLE IV, SOCIAL SECURITY ACT

INTRODUCTION

In the past few years the Federal role in supporting care for children of working mothers has been greatly expanded. In fiscal year 1965 an estimated 5,000 children received care at a cost of about $5 million in Federal funds while in fiscal year 1972 over $700 million of Federal funds was spent on care for over a million children. About half of the children served and about half of the expenditures in fiscal year 1972 were made under the programs authorized by Title IV of the Social Security Act, administered by the Community Services Administration (CSA), Social and Rehabilitation Service (SRS), HEW. The Office of Child Development (OCD), as a focal point for HEW's plans, policies, and programs affecting children, shares in certain of the Title IV administrative responsibilities.

Title IV authorizes three categorical aid programs: Title IV-A, Aid for Families with Dependent Children (AFDC), Title IV-B, Child Welfare Services, and Title IV-C, the Work Incentive Program (WIN).

The intent of the Act is to help maintain and strengthen family life and to help eligible persons attain or retain capability for the maximum self-support and personal independence. Child care may be provided as a social service to AFDC recipients. It may also be used as a preventive measure by assisting families that are near the economic dependency level to improve their family status, and thus avoid the necessity of ever having to apply for financial assistance. Title IV-B child care is intended to supplement or replace parental care and supervision when considered necessary in the interest of the child and is not based on the financial need of the family. The purpose of the WIN child care program is to enable parents on AFDC to participate in manpower programs administered by the Department of Labor in the interest of becoming self-sufficient.

SCOPE OF REVIEW

Our review was made in accordance with standards for governmental auditing at the SRS and OCD central and regional offices as well as the States of California, Georgia, Massachusetts, Michigan, Missouri, New Jersey, Texas, Virginia, and Washington. We reviewed selected aspects of

program and fiscal management at each administrative level, including available data concerning (1) the effectiveness of the Title IV-A and IV-C programs in meeting statutory objectives, (2) the extent of compliance with Federal, State and local child care requirements, and (3) the appropriateness of payments to family recipients and child care providers. Foster care services were excluded from the review.

Most of the field work was conducted during fiscal years 1972 and 1973. During this period total Federal expenditures for child care in the nine States reviewed, ranged from an estimated $89.1 million for the provision of 117,600 child care years in fiscal year 1972 to an estimated $93.8 million for 110,400 child care years during fiscal year 1973. Appendix A shows the estimated expenditures and child care years provided in the selected States during fiscal years 1971 through 1974.

BACKGROUND

In all States over 1.9 million child care years of service were provided under the Title IV programs for fiscal years 1971 through 1974. Of this amount 1.5 million child care years were provided for Title IV-A child care with 370,000 and 72,000 being provided respectively for WIN and Title IV-B. Appendix B shows the amounts expended and child care years provided in all States from fiscal year 1971 through fiscal year 1974 for each of the three Title IV programs. To be eligible for funding the State must submit a plan to the appropriate SRS regional office describing its proposed program and identifying its financial needs.

Although there are no basic differences in the kinds of services or methods of providing services under Titles IV-A, IV-B, and IV-C, different legal provisions govern the extent of Federal support for each. Under the current provisions of Title IV-A, Federal funds may finance 75 percent of the service costs and 50 percent of the costs which involve income maintenance functions. Until fiscal year 1973 when statutory amendments set a funding ceiling on Title IV-A social services which include child care, only the amounts of funds that a State or local government was willing to provide limited the amount of Federal funds available to that jurisdiction. Fiscal year 1973 funds are required to be distributed on a formula basis.

Title IV-B child care funds will continue to be distributed to the States on a formula basis which usually results in the State paying more than half the total costs incurred. Prior to July 1972 the Federal participation for WIN child

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care was limited to 75 percent of the total costs incurred. Under the current WIN program 90 percent Federal participation is authorized.

Child care services may be provided in several ways. States are authorized to operate service programs directly or to purchase the services from public agencies, private nonprofit organizations, proprietary organizations, or individuals. Michigan provides funds for child care services through direct payments to recipients who make their own service arrangements. In at least 37 states child care is also financed in part (1) by disregarding the cost of child care for AFDC recipients in determining the amount of allowable income to be deducted in arriving at the amount of the family's monthly welfare payment (cash grant), or (2) by adding directly to the cash grant, as a work expense, an amount equal to the cost of child care. The most recent national estimate of the amount of Federal payments made for child care through the cash grant system was $71.0 million for fiscal year 1972. This represented about 20 percent of the total cost of all Title IV child care during that year.

Under Title IV, Federal regulations require that adequate child care services be furnished to every parent, relative or other appropriate individual who is enrolled in WIN and to other public assistance recipients for whom the State agency requires training or employment. In addition, the State has the option of extending child care services to low-income families who are applying for public assistance, who have received such payments in the past, or who may be expected to receive payments in the near future. SRS has published revised regulations, effective January 1, 1975, which emphasize the achievement of self-support, self-sufficiency, and improved family life for AFDC recipients. Child care is one of the social services designed to assist AFDC families in accomplishing these goals.

Federal requirements for child care under each program are set forth in Federal regulations pertaining to service programs for families and children. Federal regulations require that Federally supported child care services provided outside the child's own home must comply with the Federal Interagency Day Care Requirements (FIDCR) approved by HEW, the Office of Economic Opportunity, and the Department of Labor. This document outlines the level of competency required in the following categories: Day Care Facilities, Environmental Standards, Educational Services, Social Services, Health and Nutrition Services, Training of Staff, Parent Involvement, Administration and Coordination, and Evaluation. Federal regulations require that the States establish standards for Federally supported care in a child's own home.

Child care arrangements under the Title IV programs fall into two major categories: (1) care of the child in his own home--in-home care, and (2) care outside of the child's own home--out-of-home care. Out-of-home facilities include day care centers, group day care homes and family day care homes. Approximately 60 percent of the WIN child care in fiscal year 1971 was in-home care and 40 percent was out-of-home care. Out-of-home care may be provided in several types of arrangements. About 87 percent of all WIN child care is provided through family care arrangements and about 13 percent provided by day care centers.

The States have the primary responsibility to initiate and administer programs under Title IV. The State agency is responsible for its own activities and those of the local agencies. SRS has the responsibility for monitoring the administrative and operational aspects of State programs such as the Title IV child care program. Both SRS and the Office of Child Development (OCD) have responsibility for policy development, State plan approval, and technical assistance. OCD also has selective monitoring responsibilities for child care programs.

SRS officials at the regional offices are responsible for reviewing and approving State plans for Title IV. Approval of plans relating to child welfare and child development must be made with concurrence of OCD. Regional offices are also responsible for monitoring and evaluating State programs for compliance to Federal requirements. At the central office level, SRS is responsible for planning and coordinating the Title IV programs.

HIGHLIGHTS

Increasing numbers of families and children are being aided by child care services as a result of the efforts of HEW. HEW officials responsible for child care have exhibited a continued interest in improving the quality as well as increasing the quantity of child care services. HEW child care officials assigned to the former Children's Bureau represented the Secretary of HEW while participating with officials from the Department of Labor and the Office of Economic Opportunity on the Federal Panel on Early Childhood to develop the Federal Interagency Day Care Requirements (FIDCR). These requirements, issued in September 1968, were established to insure that Federally supported child care met certain minimum prescribed standards.

Although HEW officials responsible for child care have functioned well together in many joint efforts such as the development of the FIDCR, we believe the roles of those now responsible for child care in SRS and OCD should be more clearly defined. Joint responsibilities of SRS and OCD include policy development, program monitoring, technical assistance, and State Plan approval.

An overlapping of functions was acknowledged in June 1972 when a clarification memorandum was jointly authored by SRS and OCD at the Secretary's request. However, since the memorandum was general in nature and because follow-up actions designated in the memorandum as "recommended actions" have not been completed, the roles of each agency remain unclear. We were informed by SRS officials that follow-up actions had been delayed because of other priority work. The recommended actions outlined in the memorandum included drafting, issuing, and implementing guidelines to clarify the responsibilities of the two agencies.

The clarification memorandum stated that the functional overlap apparently resulted because of the manner in which the two agencies were organized in 1969. The HEW Secretary's reorganization order of July 7, 1969 created OCD. Its mission is to advise the Secretary and HEW agencies on Department plans and programs related to early childhood development; to operate the Head Start program and other related child service programs; and to provide leadership, advice and services which affect the general well-being of children and youth as mandated by the Act of April 9, 1912, which established the Children's Bureau.

When CSA was formed on September 17, 1969, many of the Children's Bureau staff as well as the Bureau's functions were transferred to the newly created OCD. SRS exercises broad administrative responsibilities over grants-in-aid for services in the AFDC, the Child Welfare, and the Aged, Blind and Disabled programs.

We are recommending that top Department officials more clearly define the responsibilities of SRS and OCD at the central and regional levels. The existing functional statements should be revised accordingly to insure that the functions of the two agencies are clearly defined in sufficient detail to avoid confusion regarding the responsibility of each agency and to preclude the possibility of unwarranted duplicative effort.

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We believe the confusion over roles of the two agencies in conjunction with a need for improved coordination, both at the central and regional office levels, has contributed to the problems related to compliance with Federal, State and local child care requirements.

Problems discussed in this report include those related to: (1) the measurement of program effectiveness for child care programs, (2) compliance with Federal, State and local child care requirements, and (3) certain aspects of financial management.

Measurement of Program Effectiveness

In all nine States reviewed preliminary efforts had been made towards developing systems to measure program effectiveness. Most of these States were accumulating performance data for the WIN program and a considerable amount of data in the individual case files. However, none of these States had accumulated sufficient data to provide a basis for evaluating the extent to which the Title IV-A and Title IV-C programs were meeting the self-sufficiency objective outlined in Public Law 90-248.

The revised regulations effective January 1, 1975, will require States to maintain, aggregate, and assimilate documentation to show that services for which Federal funds are claimed were provided to achieve purposes specified under the Federal regulations. Thus, States will be expected to have program effectiveness data collection. The results of our review indicate that to do this States will have to substantially upgrade their current program performance monitoring efforts.

SRS officials have developed model management information systems which include a method for accumulating effectiveness data, however, Federal regulations do not require its implementation. SRS is also experimenting with several other systems.

We are recommending that SRS assist the States in implementing systems which would disclose to management the extent to which the self-sufficiency objective of Title IV is being accomplished; that is, the extent to which child care has assisted low income families in becoming economically self-sufficient. Such an effort would be in consonance with the revised regulations. The system should include maintaining certain basic items of information to allow the States to evaluate program effectiveness on a periodic basis and to

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advise regional SRS officials of the results. (For further discussion of this finding, see pages 8-16.)

Compliance with Federal, State and Local Child Care Requirements

Our review disclosed a need for improvement in the monitoring of compliance with Federal, State, and local child care requirements. The term "requirements" as used in the context of this report includes the Federal Interagency Day Care Requirements (FIDCR), Federal requirements for in-home care, and State and local licensing requirements. In all nine States we found that the provisions of the Federal, State, and local requirements were generally not met. In many instances even the basic requirements pertaining to the health and safety of the children were not being met. Eight States were operating under State plan commitments to meet the Federal requirements, and Michigan had been granted an extension of time for compliance by the Region V SRS Commissioner.

We are recommending that both SRS and OCD make a concerted effort to more clearly define their roles of monitoring and providing technical assistance to all levels in accordance with Federal regulations and the desires of the Secretary. This should include procedures for monitoring the States' enforcement of the Federal, State and local requirements. We believe SRS should stress the use of the Quarterly Compliance Reporting System by the Regions and States to report any significant problems of noncompliance. We are also recommending that SRS stress to the States the importance of obtaining Federally supported child care only from providers either meeting the Federal, State and local requirements or those expected to meet the requirements within a reasonable period of time. (See pages 16-27.)

Financial Management

We found two major problems relative to the financial management of Title IV child care programs: (1) the appropriate costs for providing child care had not been determined, and (2) in Missouri, contrary to Federal regulations, restricted donations were being used as the State's matching share; some indications exist that this might be a broader problem.

The complexity of the child care program has been a prime cause of the lack of precision in financial management. Five of the nine States reviewed had paid more for child

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care services than was actually delivered under contractual agreements because contract estimates exceeded the costs actually incurred. None of the contracts had been adjusted to reflect more realistically the amount of child care services actually delivered.

The appropriate cost of child care is not known and normally only rough estimates of actual costs expended were available. Because appropriate cost information is not available, program officials have no assurance that budget estimates and contract amounts are reasonable. Better data is needed to assure that the multi-million dollar Title IV child care program is managed efficiently.

We are recommending that SRS (1) assist the States and local operating jurisdictions in establishing better procedures for estimating potential child care needs, (2) establish policy requiring standard reporting of child care costs, (3) establish policy requiring the accumulation and use of more reliable cost data in estimating the unit costs of child care, (4) establish policy requiring audits of costs incurred for child care and adjustment of child care contracts when the audit results reflect such a need, and (5) alert the SRS financial review groups to the possible existence of restricted donations. (See pages 27-35.)

Operating Agencies Comments

We requested comments on our findings and recommendations from SRS and OCD. In its comments SRS set forth corrective actions already underway or planned regarding our program effectiveness measurement and compliance findings and recommendations. Completion of these actions should substantially improve the program. SRS expressed general concurrence with our financial management findings, but did not respond conclusively to our recommendations on improving contracting financial controls. The complete text of the SRS comments appears as Appendix D of this report.

Although OCD did not provide formal comments, its staff agreed that the report should be issued without revision.

FINDINGS AND RECOMMENDATIONS

Measurement of Program Effectiveness

Our review of program management at the SRS and OCD central offices and at selected regional, State and local offices revealed a need for more systematic measurement

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of the effectiveness of the Title IV-A child care program in reducing dependence on Government assistance. Information which adequately disclosed the extent to which this basic objective of the program was being met was not available at any State or Federal administrative office included in our review. Recently administrators at both the Federal and State levels have recognized the importance of such information and have begun measurement efforts. We believe that the development and implementation of effectiveness measurement systems should be accelerated.

None of the nine States maintained systems for accumulating and reporting the information necessary to disclose the extent to which Title IV-A child care had assisted low income families in becoming self-sufficient. All of the nine States, however, were either considering or had made preliminary efforts toward developing systems to measure this objective. These systems were in various stages of development. Georgia was operating a reporting system which provided much of the information needed to evaluate effectiveness except the actual amount of care provided and the potential child care needs in the State. Washington was installing a computerized system for gathering program statistics. Program administrators in Texas were analyzing methodologies developed by consultants.

The SRS regional offices we visited were not involving themselves in program effectiveness measurement. Several SRS regional officials told us that they were not aware of any responsibility at the regional level for developing or assisting the States in developing such measurement systems. Federal regulations concerning the functions of SRS regional offices and regional commissioners make general references to the evaluation of performance. We believe the regional offices' evaluation responsibilities should be clarified by the SRS central office.

The basic objectives of the Title IV-A program, as stated in Public Law 90-248, are to assist AFDC families--through the device of child care--in becoming self-sufficient and to improve family life. These objectives are also applicable to the WIN program which was part of the Title IV-A program prior to July 1972. Congress did not identify what would be considered evidence that these objectives were met and at the time our review began such evidence had not been identified by Federal or State administering agencies.

We identified three conditions which we believed would indicate success under the economic objective of assisting families to become self-sufficient. These conditions were: (1) families assisted in leaving the welfare rolls, (2) low

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income families assisted in retaining their self-sufficiency status, and (3) welfare families enabled to improve their economic status. Because the objective of improving family life had not yet been quantified, we did not consider measurement of that aspect of program effectiveness.

To get an indication of program effectiveness we compared the economic status of families receiving child care services with their status one year later. No conclusions could be drawn from the results of our examination, however, since sufficient data was not available in the case records to positively determine the extent to which the provision of child care had affected the status of the participating families or the extent to which other factors such as employability or the job market prevented self-sufficiency.

The results of our work in the State of Washington illustrate the problems we encountered across the country. In the State of Washington we examined the financial and social records maintained by case workers at 10 of the State's 50 local offices for each of 177 randomly selected recipients of child care services. In 63 of the cases reviewed we found that families receiving welfare in May 1970 were no longer receiving welfare in November 1971. The case records for these families did not disclose, however, the extent to which the provision of child care had contributed to these families going off the welfare rolls. The records indicated that 38 cases had been removed from the welfare rolls because the parent married (27 cases) or the family left the State (11 cases). Therefore, it is probable that the provision of child care was not the reason for these families going off welfare. For the remaining 25 families we were unable to speculate to what extent child care assisted them in going off welfare because the records lacked such information. It is nevertheless possible that child care played a significant role.

Seventy-seven recipients of welfare and child care in May 1970 were still on welfare in November 1971. Thirty-two of these families were receiving lower welfare payments and 12 were enrolled in training programs. The records do not identify the role of child care in these cases. It is possible that the provision of child care made these parents available for work or training, but that conclusion must include the assumption that they would not have been able to work or train had Government supported child care not been available. Apparently child care had not helped the remaining 33 of the 77 families economically

because the parents were still not working and the families' welfare payments had not been reduced. The family life of these recipients may have been improved, however.

Case records indicated that child care may have been a factor in preventing 37 families from going on welfare during the test period. In a number of these cases the provision of child care had stopped during the test period, but no reasons were noted.

As indicated in our preceding discussions, some speculations could be made from the results of our review in the State of Washington; however, no conclusions could be drawn since sufficient data was not available in the files to positively determine the extent to which the provision of child care had influenced the status of the participating families. Because that information was not maintained, program administrators were not in a position to know whether this basic objective of Title IV-A program was being met.

Other important management information was also lacking in the State. For example, officials could not provide figures which they considered reliable concerning the number of children participating; the number of families served by the program; or the potential needs for child care, i.e., the number of low income families eligible for Title IV benefits but not receiving them. We believe that such information would be necessary to meaningfully evaluate the existing program and to realistically plan for the future.

We believe that Federal and State officials have a stewardship responsibility to insure that Federally supported programs such as the Title IV-A child care program are oriented toward meeting the basic objectives of the law. Federal regulations applicable when our field work was done authorized SRS to obtain reports and evaluations showing the scope, results, and costs of services to families and children. However, neither the program reports nor financial reports which SRS was receiving contained information on the child care program's effectiveness in achieving program objectives.

Under SRS reporting requirements effective during our review the States were required to report child care program information to the SRS National Center for Social Statistics by means of a semi-annual report on expenditures for social services to families and children and a quarterly social service report. SRS officials told us that several large States do not report data and others report what the officials suspect are gross estimates.

SRS received financial information from States on quarterly and annual reports. However, to a large degree child care expenditures were not separately identifiable since they were aggregated with other social service expenditures in these reports.

Thus, at the time of our review, information needed to show the accomplishment of program objectives had not been generated and was not required.

Subsequent to our field work SRS published revised regulations which were designed to require that States be able to demonstrate that social services, such as child care, supported with Federal funds are achieving Federal program objectives. Congress has suspended enforcement of these regulations until January 1, 1975. Section 221.2(d)(3) of these regulations will require the State plan to provide State level service staff with the responsibility of monitoring and evaluating the program. Section 221.8(a) will require that documentation must be maintained by the State to show that Federal funds were used to support attainment of the following goals: (1) self-support, (2) self-sufficiency, or (3) strengthening family life. Summarization and analysis of such data will also be required. We believe these new requirements underscore the need for State program effectiveness measurements. As noted, previous regulations permitted the Federal Government to obtain information on program results from the State, but it was not routinely requested.

The revised regulations are silent, however, on what reports or specific data will be necessary to meet the new requirements.

SRS officials have developed a model reporting system which includes a method for accumulating program effectiveness data, but Federal regulations do not require the implementation of this system. SRS is also experimenting with several other mechanisms for gathering data on program performance.

The model system is designed to provide data relative to the achievement of previously established goals, movement to those goals, and the removal of barriers to goal achievement. The goals would be self-support and self-sufficiency.

Under the model system a causal relationship between the provision of a social service and the achievement of either goals would have to be assumed. For example, under the model system administrators must assume that child care is

effective if a mother who receives child care services, gets a job and stays on it. However, this information alone is not sufficient to determine that child care was a significant contributing factor in permitting the mother to obtain and continue employment. Additional information would be necessary to determine that the child care was necessary to permit the mother to work. Other factors, particularly employability and the job market, obviously influence the mother's ability to actually get a job. SRS is trying to develop more refined measurement devices that would demonstrate causality.

The proposed management system is being field tested by the city government of Alexandria, Virginia, and the Montgomery County, Maryland, government. In addition three States--Iowa, Georgia, and Florida--are using the system. According to SRS officials, the reaction in these States has been favorable; social workers see real advantages in the new system and the Iowa legislature publicly noted the high quality of budget data submitted under the new system. We were informed that the system is being made available as a model for State operations. At least 27 States are moving toward systems similar to the proposed one according to SRS officials.

SRS officials informed us that plans for implementing the proposed management system were being set aside at this time to enable the agency to concentrate on efforts to improve financial management and State accountability for Federal funds. For the time being SRS will continue to develop its model system.

Implementation of an information system to summarize data showing the degree to which the economic objective of the child care program is being accomplished would provide management with valuable information. Such information would enable officials to identify States, counties, or districts operating successful child care programs. Once these programs are identified their operations can be analyzed to determine the factors such as type of child care, location of facilities, availability of training, local job market conditions, etc., that lead to positive results. With positive factors identified the program can be redesigned to foster these factors and to minimize negative factors. The operating information system can then be used to evaluate the changes. In this way program administrators at the Federal, State, and local level would have information to use in improving program operations.

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We believe the measurements that would be provided upon implementation of the system proposed by SRS would mark a major step toward true effectiveness measurement. Should the accumulation of summarized information on a 100 percent basis prove to be too time consuming we suggest that the information might be gathered from records kept for all recipients on a statistical sampling basis.

Regardless of the type of system devised, we believe it should, to the extent possible, include information concerning the number of children receiving child care and the potential child care needs. It should also include a periodic compilation of data from individual care files including a recent history of the recipient family's income before receiving the child care services, while receiving the service, the current status or--if the family had been on welfare but was subsequently removed--status at time of departure, and reason for departure.

Additional information such as a breakdown of the sources of income would add depth to an information system for the Title IV-A program. It would enable program administrators to analyze income data to determine whether any increases in income may have resulted from the provision of child care which in turn permitted the mother or other responsible person to obtain employment, or if already employed, permitted full-time employment or salary increases.

Another refinement might include expanding the system at some later date to include more specific evaluation of the other major objective of "improving family life" after the related desired goals have been determined and quantified.

Recommendations

We recommend that:

1. SRS assist the States in implementing, as soon as possible, either the model system developed by SRS or a similar system to measure the achievement of SRS program goals. Further, SRS should continue to refine the system to provide causal information on the extent to which child care assisted successful families in improving their financial status.

2. If the model system or a similar system cannot be implemented in the near future, at a minimum each State should be required to summarize and report specific data items to disclose (a) the

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extent to which the child care program is supporting the economic objective of Title IV-A and WIN of assisting low income families in achieving self-sufficiency, and (b) the extent to which potential child care needs are met.

3. The child care aspects of SRS plans for implementing a system for the measurement of performance be closely coordinated with OCD.

4. Data accumulated by the measurement system be summarized periodically (possibly quarterly) at the State and Regional levels and the results reported to the SRS central office. The summarized data should be used, to the extent possible, by State, regional, and central office officials in monitoring the Title IV-A child care program.

SRS Comments

"SRS will be implementing the proposed Social Service Reporting System in the near future. A major part of the implementation plan is the provision of technical assistance to States in the development and design of their system. This system requires that States make quarterly reports to SRS. The summarized data will be used by Federal staff in monitoring the Title IV-A and B child care programs. It will also provide data for evaluating the effectiveness of child care services.

"In addition to providing data concerning goal achievement, it will also provide information about child care. Data collected will include the number of children receiving child care by category (AFDC) and by goal; the total cost of such care; the number of children receiving child care services by type, that is, full-time, part-time, in-home, out-of-home; and the method by which child care services were provided.

"SRS has also developed a model Social Service Information System (SSIS). This system is available to States to assist them in setting up their own social service information systems. Basically, the SSIS is a case management tool for use at the local level. Information provided, however, can be useful to administrative staff in making decisions affecting the client or the potential client population.

"Essentially, the SSIS captures in-depth information about each client's situation. It provides some data relative to causal factors in that it identifies the problem or barrier which has resulted in the client's need for services, e.g., a need for child care. It identifies the goal established with the client as well as data showing goal movement and achievement. It also includes some data relative to economic factors such as earned income and assistance payments. In addition, it provides information about child care on each individual case, such as the number of children receiving child care by age and type of child care. "

Compliance with Federal, State and Local Child Care Requirements

Our review of selected child care providers in each of the nine States indicated a need for closer monitoring of compliance with the health and safety and child/staff ratio provisions of the Federal, State, and local child care requirements and a need for better enforcement procedures when it is known that these requirements are not being met. Eight of the States were operating under State plan commitments to meet the Federal requirements. Michigan had been granted an extension of the compliance date by the SRS Regional Commissioner. Until there is assurance that Federal, State, and local requirements are being met, the child care services cannot properly be considered as acceptable in quality. We believe this problem resulted because monitoring by the Federal level was not intensive enough. The effectiveness of Federal monitoring was impeded in our opinion by unclear assignment of monitoring responsibilities within HEW and a reluctance to press for corrective action caused by a desire to avoid extreme measures.

In the eight States committed to meet the Federal Interagency Day Care Requirements (FIDCR), those requirements and the Federal regulations Section 220.18 as well as State and local requirements were often not being fully complied with. State and local requirements are usually more specific than the Federal requirements. When Federally supported child care is involved, facilities must conform to the Federal requirements as well as the State and local requirements.

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The FIDCR establish standards which are applicable to all child care provided with Federal funds outside the child's own home. These requirements were approved by HEW, the Department of Labor, and the Office of Economic Opportunity. They include general standards relative to the type of facility; grouping of children and child/staff ratios; location, safety, sanitation, and placement priorities; educational services; social services; health and nutrition services, staff training; parent involvement; administration and coordination; and evaluation.

Section 220.18 of the Federal regulations concerning child care sets forth Federal standards for Federally supported care in the child's own home. Federally supported in-home care provided by the recipient family's relatives, friends, or neighbors must be regulated by State standards which at a minimum cover the caregiver's age, physical and emotional health, capacity and availability to provide adequate care, maximum number of children to be cared for, and feeding and health care of the children. State sponsored in-home care must meet standards, established by the State, which are reasonably in accord with the standards recommended by such national organizations as the Child Welfare League of America and the National Council of Homemaker Services.

The revised regulations effective January 1, 1975, do not change the requirement that Federal standards must be met. Under Section 221.9(b)(3) of those regulations State licensing or approval of day care facilities is still required, however, reference to the FIDCR has been deleted.

With respect to Federal service standards the new regulations provide that facilities must meet standards prescribed by the Secretary. Program officials at the SRS central office have informed us that the FIDCR will continue to be in effect until new standards are published. Although considerable effort has been devoted to revision of the Federal standards the officials were unable to tell us when, if ever, they will be officially published.

Federal standards for Title IV-A child care are mandated by Congressional action. Federal standards for child care programs were first required by section 522(d) of the Economic Opportunity Act (EOA) amendments of 1967. In response to this mandate the FIDCR were developed and approved in 1968. When HEW proposed to revise the FIDCR in 1972, Congress inserted the following language into section 522(d) as part of the EOA amendments of 1972:

"Such standards shall be no less comprehensive than the Federal interagency day care requirements as approved by the Department of Health, Education, and Welfare, the Office of Economic Opportunity, and the Department of Labor on September 23, 1968."

The State bears primary monitoring responsibility as part of its State plan. Compliance to the Federal requirements, however, has not been systematically monitored by the State or HEW regional or central offices. At the Federal level we believe the unclear division of monitoring responsibilities between SRS and OCD may have contributed significantly to this condition.

Confusion over the proper authority for granting of waivers for the Federal Interagency Day Care Requirements offers an example of the problems caused or at least perpetuated by overlapping responsibilities. At the time of our review there was some confusion as to whether SRS or OCD had the authority to grant waivers. At our request SRS and OCD have initiated a task force to clarify the process by which waivers to the FIDCR are reviewed and acted upon. We believe this confusion contributed significantly to a delay in acting on the requests for waivers made by Colorado, Montana, and Utah. These States requested waivers from the SRS regional office during calendar year 1970 and as of November 1973 only the request from Colorado had been acted upon by either SRS or OCD.

In another instance a waiver was granted by an SRS Regional Commissioner after such authority had been transferred to OCD. In a letter dated October 1, 1970, the CSA Commissioner had informed all SRS Regional Commissioners and all CSA Associate Regional Commissioners that requests for waivers of the Federal Interagency Day Care Requirements should be forwarded to the Director, OCD, for approval by the Federal Panel on Early Childhood. Contrary to this instruction the Region V SRS Commissioner, on December 22, 1970, assumed the responsibility of extending the compliance date from the original December 12, 1970 deadline until new Federal requirements are issued.

This action by the Region V SRS Commissioner had the effect of a waiver since it relieved all providers of child care in Michigan from the responsibility of complying with the FIDCR until the new version which was being reviewed by the Office of Management and Budget (OMB) was approved and finally published. The new version of FIDCR has not been published and the 1968 FIDCR is still in effect.

Although we did not review for compliance with Federal and State standards in Michigan, the State's records showed that its 450 day care centers and 2,509 family day care homes were in compliance with the less stringent State standards. Of the 450 day care centers only 191 were certified as meeting the FIDCR as of February 1972.

Licensing

Our review disclosed that monitoring and licensing practices in each of the eight States operating under commitments to meet the Federal standards were not adequate to assure general compliance with the standards. Inspections were not always made at the intervals required by State licensing codes and when such visits were made existing compliance problems were not always discovered. When problems were discovered, effective actions to correct them were often not taken because officials desired to avoid extreme corrective measures. In our opinion this posture also resulted in many problems remaining unresolved when they could have been corrected with only minor effort.

We found that not all Federally supported facilities licensed by the States were in compliance with the Federal requirements. Details relating to this problem are discussed in the individual reports issued to the States. In Massachusetts, Georgia, Texas, California, and Washington we found several instances where unlicensed child care facilities were providing Title IV child care. In Massachusetts, Georgia, and Washington this occurred because their monitoring and enforcement procedures needed to be more systematic. In Texas and California it was a matter of not enforcing its existing procedures of requiring facilities to be licensed before permitting them to provide child care services.

Results of Health and Safety Review

Many deficiencies were found in the States' application of health and safety requirements. The FIDCR basically provide that the facilities and grounds used by the children must meet the applicable State health, safety, and sanitation codes. The Federal requirements also require periodic medical examinations of caregivers and children receiving care. The results of our examination of compliance with applicable health, safety, and sanitation codes is summarized below. A breakdown of our compliance review by State appears in Appendix C. Detailed information regarding health and safety problems is contained in the individual reports being prepared for issuance to the States.

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TABLE 1

RESULTS OF HEALTH AND SAFETY REVIEW

Care Type	Number Examined	Number Not Meeting Requirements
Day Care Centers	453	363
Family Day Care Homes (includes care in the homes of relatives or friends)	50a	21
In-Home Care	49	41
Totals	552	425

a Excludes 55 facilities which were examined in Virginia but for which the records available did not disclose compliance with health and safety standards.

The number and degree of seriousness of discrepancies at each facility varied considerably; however, we consider each of the health and safety problems, found during our review, significant enough to warrant prompt attention. The 363 centers shown in the schedule above averaged about 3 discrepancies each. At one center 19 separate discrepancies were noted. Most of the problems could be corrected relatively easily with only minimal expenditures. Only a very small number of centers had discrepancies that would require major corrective action, such as for example construction of fireproof partitions.

During on-site reviews at selected centers, we were accompanied by State officials and made joint physical inspections of day care centers and reviewed pertinent records. We also reviewed the State's records on day care homes and in-home care to determine whether the required physical examinations for children and caregivers were conducted.

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These joint inspections uncovered numerous health and safety hazards. Some of the discrepancies were similar to conditions detected in previous licensing inspections of the same centers. However, the joint inspection did identify many areas of noncompliance which had not been reported earlier and the nature of many of these discrepancies indicated that they had long existed. A list of some of the health and safety discrepancies noted at licensed centers follows:

Medications were stored in places accessible to children.

Poisons and materials with warning labels were stored in unattended and unlocked rooms.

Kitchen facilities were not adequate. At one center food set uncovered in the refrigerator. Foods were not separately stored away from medicines, hair sprays, and cleaning supplies.

Children were cared for in a room without a suitable fireproof partition separating it from the adjacent furnace room.

At one center two sewer lines were located in the Kindergarten room. One line had a loosely fitting wooden cap and was plugged with a baby doll. We were told that if the doll was removed and a commode located in another area was flushed, raw sewage would spill onto the Kindergarten floor.

Outdoor play areas were inadequate. Broken glass and bottles were noted in play areas. Also, areas were not enclosed, and outdoor play equipment was lacking, broken, rusting and not secured. Children were observed playing on sidewalks located on a main street.

Corrective action has already been taken by several of the States. More details concerning the health and safety problems and the corrective actions taken are contained in the reports prepared for issuance to the individual States. We believe that States often were reluctant to vigorously enforce compliance with health and safety requirements because they wished to avoid taking drastic corrective action, such as removing Federally supported children from centers not in compliance. Our review indicated, however, that almost all the corrective actions necessary were not drastic.

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Our review of records concerning health and safety standards for day care homes and in-home caregivers in Washington, New Jersey, and California disclosed many instances in which children and caregivers were not being given the required medical examinations. Also, in those three States medical examinations were not provided to children or caregivers involved with care in a child's own home. We believe the lack of medical examinations could substantially increase the possibility of the spreading of contagious diseases and we believe SRS should make a special effort to solve this problem.

Results of Child/Staff Ratios Review

At least two independent studies of child care have concluded that the quality of care a child receives is based primarily on the ratio of children to staff members. Federal criteria require a high level of adult staff involvement with children to assure that each child receives proper attention and care. Federal child/staff ratio requirements, as outlined in the FIDCR and Federal regulations, are summarized below:

Summary of
Federal Child/Staff Ratio Requirements

Type of Facility	Age Group	Required Child/Staff Ratio
Day Care Centers	3 to 4	5:1
	4 to 6	7:1
	6 to 14	10:1
Family Day Care Home	Infancy through 6	5:1
	3 to 14	6:1
In-Home Care	Federal regulations require States to establish their own standards on the number of children to be cared for by one adult.	

00829

Table 2 below summarizes the results of our examination of compliance with child/staff ratio standards in selected States. Each of these providing facilities or persons was licensed or approved as meeting Federal requirements. Detailed information regarding child/staff ratio problems is contained in the individual reports being prepared for issuance to each State.

TABLE 2
RESULTS OF CHILD/STAFF RATIOS REVIEW

Care Type	Number Examined	Number Not Meeting Requirements
Day Care Centers	453	185
Family Day Care Homes (includes care in the homes of relatives or friends)	105	17
In-Home Care	49	41
Totals	607	243

To determine compliance with staffing requirements, we reviewed attendance and personnel records for selected providers in the eight States. Visits were made to several selected day care centers to verify the records' accuracy. Although the State plans for all eight States reviewed committed the Federally supported providers to compliance with the Federal requirements, our review disclosed frequent compliance problems with Federal child/staff ratio requirements. Frequent compliance problems were also noted with the State's own child/staff ratio standards which are usually less stringent than the Federal ones. The schedule below illustrates the ratio compliance problem for three States.

00030

Summary of Compliance to Day Care Center Child/Staff Ratios Requirements in Virginia, Missouri and Washington

State and Center	Age Group	Required Ratio State	Required Ratio Federal (1)	Observed Ratio
Virginia				
A	2-5	10:1	7:1	19:1
B	2-6	10:1	7:1	20:1
C	2-5	10:1	7:1	12:1
D	2-6	10:1	7:1	15:1
E	2-6	10:1	7:1	11:1
Missouri				
A	3-6	10:1	7:1	12:1
B	2-5	10:1	7:1	15:1
C	3-5	10:1	7:1	17:1
D	3-5	10:1	7:1	19:1
E	3-5	10:1	7:1	25:1
Washington				
A	4	10:1	7:1	16:1
B	3-5	10:1	7:1	14:1
C	4-5	10:1	7:1	16:1
D	5-6	10:1	7:1	15:1

(1) As previously indicated, FIDCR provides for child/staff ratios ranging from 5:1 to 10:1 depending upon the ages of the children--5:1 for 3 to 4 year olds; 7:1 for 4 to 6 year olds; and 10:1 for older children up to age 14. In case of overlapping age groups, we used the more liberal 7:1 ratio.

State and Federal program officials told us that the cost of raising staffing levels to fully comply with Federal requirements would be very substantial. We believe this factor has resulted in a reluctance to enforce the Federal requirements. While there is no doubt that the cost of compliance would be very substantial, it must be noted that compliance is required by Federal regulations and that Congress has expressed concern that the standards be met. In our opinion a possible solution to this problem might be an intensive effort by the States and SRS to make greater use of volunteers; we believe this alternative should be explored further.

00031

Monitoring and Enforcement

In our opinion unclear division of HEW monitoring responsibilities has permitted such problems to develop unchecked at the State level. Responsibility for monitoring child care programs rests with both SRS and OCD. Monitoring responsibility is further divided between the regional and central offices of each agency. Our review of SRS and OCD regional and central office operations indicated that neither level had routinely evaluated State compliance.

We found that SRS regional office personnel were aware of the existence but not the magnitude of the compliance problems. None of the regional offices reviewed had established mechanisms to effectively monitor the State child care programs. Functional statements place responsibility for monitoring and evaluating State programs on the regional offices. Region X officials, for example, recognized their monitoring responsibility but added that resource limitations forced them to only look at child care upon special request. Officials in the regional offices reviewed generally contended that the authority to review State programs has not been delegated to the regions. However, the central office officials considered routine monitoring to be a function of the regional offices.

Many improvements are needed relative to the monitoring and enforcement of Federal requirements at the State level. Our individual audit reports to the States have recommended a number of basic improvements in State licensing procedures including more systematic inspections, emphasis on correction of noted deficiencies, reinspections to assure that reported deficiencies are corrected as required, and discontinuation of the use of unlicensed facilities when all other courses of corrective action have been exhausted.

Because Federal, State, and local requirements were not being vigorously enforced, there was no assurance that the quality of Federally supported child care meets the level intended by the FIDCR standards and Federal authorities. More importantly, when the health and safety requirements are not met the lives of the children receiving the care may be endangered. At the Federal level we believe clarification of the monitoring roles of SRS and OCD is of primary importance. Also of great importance is the need for an overall monitoring system which will bring significant compliance problems to the attention of appropriate program officials.

00032

The Quarterly Compliance Reporting System is the existing SRS mechanism for monitoring compliance to the Federal requirements of its programs. In our opinion this system should be modified to more adequately deal with child care compliance problems. Under this reporting system each Regional Commissioner submits an analysis of compliance issues by program and by State to the SRS Administrator. The Federal regulation at issue, the particulars of the compliance problems, and the Regional Commissioner's recommendation for action are included in the analysis.

Our review indicated that monitoring of child care requirements was not given a high priority in the development of compliance reports. None of the problems disclosed by our review had appeared in the Quarterly Compliance Reports. In view of our findings we believe that special instructions should be issued to the SRS regional offices to emphasize evaluation of compliance with the Federal service standards in the development of compliance reports.

Recommendations

We recommend that:

1. SRS and OCD reassess existing priorities and make a concerted effort to more clearly define their roles of monitoring and providing technical assistance to the States.

2. After clarification of roles a technical assistance effort to upgrade compliance by the States should be undertaken.

3. SRS and OCD revise their existing functional statements to insure that the functions of the two agencies are clearly defined in a manner that will insure sufficient attention being given to their child care roles without duplicating each others efforts.

4. SRS establish more explicit policy emphasizing to the States that all Federally supported child care must be provided in accordance with Federal requirements.

5. The SRS Quarterly Compliance Reporting System be modified as necessary to provide information to central and regional offices concerning any significant problems.

00433

SRS Comments

"Efforts are being made to clarify roles and responsibilities between SRS and OCD. A memorandum of agreement between SRS and OHD has been signed regarding joint participation in implementation of the Child Abuse and Neglect Act.

"We are in the process of developing an objective directed toward monitoring and enforcing health and safety standards for day care.

"The SRS Quarterly Compliance Reporting System is currently being reassessed.

"SRS/CSA is currently developing a monitoring tool which may be used by Federal and State staff in monitoring all social service programs under Title IV-A, B and VI. One of the priority components of this system is the monitoring of the child care services. Included in this component will be, among other things, monitoring of the State safety and health standards, improving compliance with the Federal Interagency Day Care Requirements in such areas as licensing or approval of day care facilities, staff training and staff/child ratios, and the compliance aspects relative to the purchase of child care services. A written report of the findings will be submitted to the appropriate program staff for whatever corrective action is deemed necessary.

"An essential phase in the development of the child care segment of this monitoring tool will be the clarification of roles between SRS and OCD relative to monitoring and the provision of technical assistance to States."

Financial Management

We noted payment problems involving about $1.2 million in Federal and State funds during a limited review of costs of about $6.8 million. Some of these payments problems occurred in several States indicating a need for SRS action. Improved management techniques are needed for estimating costs of child care for budget and contract preparation. We also found indications of a possibly broad problem concerning the use of restricted donations as the State's share of expenditures contrary to Federal regulations.

00934

Estimating Costs for Child Care

In our review of $5.1 million in payments made to contractual child care providers, we found improper payments of $854,000. Difficulty in estimating the unit cost of child care and estimating the number of units that were needed and that could be provided, resulted in imprecise estimates of the costs of child care. Details related to the computation of these improper payments are contained in separate reports which are being issued to each of the five States involved.

Program administrators had little assurance that budget estimates and contract amounts were reasonably accurate because the reliability of the data used to make the estimates was questionable. The actual costs of previously provided care was usually not available. When such information was available, its value for estimating budgets and contracts was questionable because there were no standards for classifying the costs and quite often they were not audited.

We identified problems in estimating child care costs for contract budgeting purposes in five of nine States. Our review of five child care contracts in Massachusetts disclosed that three facilities had been reimbursed about $82,000 above actual costs of about $199,000 in Federal and State funds. In Virginia we have estimated that $300,000 out of $1.4 million spent on child care was paid for purchased but unused child care slots. About $102,000 out of $688,000 spent on child care contracts that we reviewed in Texas was used for unfilled slots. In Washington about $7,700 of $28,000 was spent on unused slots. About $362,000 out of total expenditures of $2.8 million in Missouri was spent on unused slots.

Problems in estimating the costs for child care involve both those related to estimating the cost per child care slot and those related to estimating the number of slots needed. The problems associated with each are discussed below.

Cost Per Slot Estimates

Child care providers in the nine States reviewed generally had independently developed their own accounting systems. These systems represented a wide variety of methods for accumulating child care costs. Such individualized methods

provided no assurance that all appropriate costs had been included or that all costs included were appropriate. Also, there was a wide variety of types and sizes of providing facilities and some of the facilities provided a substantially wider range of services than others. For example, in some cases a wide variety of health services were furnished by providers while in other cases only limited services were provided. The FIDCR includes a statement that "if a facility does not provide all of the required services, the administering agency (the State must assure that those that are lacking are otherwise provided;" however, our review indicated that the services provided were often not as uniform as FIDCR contemplates.

The variances in the cost of child care among the States are shown in Table 3. These estimates represent the yearly per child costs of care for fiscal year 1973 under the social services provision of Titles IV-A and IV-C.

TABLE 3
ESTIMATES OF ANNUAL COSTS OF
SOCIAL SERVICES CHILD CARE AND WIN CHILD CARE
FOR FY 1973

	Dollars per child care year		
State	Title IV-A Social Services	Title IV-C WIN	Both Titles IV-A and IV-C
Massachusetts	$1587	$ 675	$1182
New Jersey	2360	1202	1290
Virginia	257	487	297
Georgia	1680	339	1388
Michigan	456	602	475
Texas	1055	396	866
Missouri	1436	474	650
California	1129	433	1061
Washington	473	587	494
Average	$ 900	$ 655	$ 848

Source: Computed from data provided by SRS.

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We found that the amount of reliable cost data developed by SRS, OCD, and the States was very limited. Although several attempts have been made by HEW and private groups to establish the appropriate costs of child care, the estimates range from $1,300 per child per year in the Westat study of developmental care to estimates by the Children's Bureau, Abt Associates, and others, of between $2,000 and $4,100 per child per year. Thus, at the time of our review the proper cost, or range of costs that should be considered acceptable was not known; only rough estimates existed.

We believe that further research should be done to establish the proper cost of care. Some of this research should focus on more specifically defining the component services making up good child care.

Systematic audits of actual care providers would assist States in providing more useful cost information on experienced costs. We believe this information would enable program administrators to better control child care expenditures and to use available funds more efficiently. In the States reviewed we noted a need for increasing the audit coverage for the Title IV child care program. Some State plans called for audits of child care providers, however, such audits were usually not performed. Cost information accumulated by providing facilities would also be more valuable if providers used a standard accounting system.

Estimating the Number of Slots Needed

Difficulty in estimating the number of child care slots needed played a significant role in the overall cost estimating problems we found. The difficulty resulted in substantially more slots being purchased than were used. We found that the States needed improved monitoring procedures to identify and correct these situations.

The results of on-site reviews at three day care providers in Texas exemplifies the sort of problem we found. During the selected months, an average of 203 of the 1,314 slots purchased per month were unused. Based upon the contractual rates, the cost of these unused slots for the selected months amounted to about $102,000. The amounts of the contracts reviewed totaled $668,000 for the selected months. Based upon the contractual rate and the average attendance, the quantity of services provided should have cost only about $566,000. Until we recommended adjustment for the unused slots, the State had taken no action.

00937

Two of the five States in which we identified slot estimating problems had adjustment clauses written into their child care contracts. These clauses permitted adjustments when significant variances occurred between the amount of child care provided and the amount contracted for. Such adjustments, however, were not made in the contracts we reviewed. Because of the difficulty in accurately estimating the number of slots needed, we not only believe such adjustment clauses are sound management devices, but also that average daily attendance should be monitored by the States.

Variances between the amount reimbursed to providers for child care and the value of services delivered resulted because (1) unfilled slots existed when actual enrollment did not meet estimated enrollment, (2) children were absent for prolonged periods, and (3) children were assigned to slots for a complete month when only enrolled for part of a month. We understand that a certain amount of absenteeism may be considered reasonable and normal; however, we believe that as the situation in Texas indicates the problem we found goes beyond any normal absenteeism. Examples of these factors from our State reports are briefly discussed below.

-- During August 1971, one day care center filled only 18 of the 25 slots purchased. This resulted in payments for seven unfilled slots.

-- Instances of extensive absences for sickness or vacations were noted. For example, one child was absent for an entire month. Another child was absent 14 of 20 days during a month due to sickness and vacation.

-- Several instances were noted in Washington where children were assigned to slots for a full month although they were enrolled only for a short period of time. For example, one child occupied a slot for the entire month of January but only attended one or two days. The child was enrolled on January 4, 1971 and terminated on January 5, 1971. This occurred as a result of the State's practice of paying on the basis of enrollment.

Existing SRS policy allows contracting for slots. An SRS letter dated March 10, 1969, informed State public welfare agency administrators that contracts may provide for payment on the basis of the number of slots reserved for the State agency rather than the actual days of attendance. The

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letter encouraged States to consider contracting with other public or voluntary agencies to provide day care services or any component of the day care service.

According to the SRS policy letter, two chief considerations in making such a contract were to be a determination of competence, including assurance that program standards--FIDCR and other appropriate plan requirements--would be met and that the costs would compare favorably with the costs under alternative arrangements. The letter goes on to point out that States were expected to maintain basic responsibility for determining the eligibility of children for care, and the selection and monitoring of organizations providing service.

We believe that in order for contracting for a fixed number of spaces to be economical and effective, well-founded data must be obtained from providers and evaluated to identify more accurately the number of spaces needed and available for eligible children. Existing SRS policy provides little guidance to States in terms of methods for estimating the number of needed slots, levels and slot utilization considered acceptable, reporting and analysis needed to monitor slot utilization, and actions to be taken when actual utilization differs significantly from purchased slots.

SRS program regulations 30-2 set forth the Federal regulations governing the purchase of social services during the period of our review. Some clarification of these regulations is provided by a June 17, 1971 letter to SRS Regional Commissioners. SRS has also prepared in draft form a handbook on the drafting of purchase of services agreements and donation agreements under Titles I, IV-A, X, XIV, and XVI of the Social Security Act. The revised regulations effective January 1, 1975, also contain requirements applicable to State purchase-of-service procedures. None of the documents specifically addresses the problems disclosed by our review.

While we recognize that States are fully responsible for the operation of their program, we believe that SRS should provide additional guidance concerning contracting. The importance of such guidance will increase as the portion of child care financed through purchase of service continues to increase. We believe that this should include guidance on what rate of absenteeism is considered normal and reasonable by HEW.

Use of Restricted Donations

In the State of Missouri we found a situation that may have broader applicability. Contrary to Federal regulations private funds were donated on a restricted basis and used by the Missouri Division of Welfare as the State's share in claiming Federal reimbursement of $752,355 for child care services. The private funds were donated by the United Fund Agency of St. Louis and by church-related organizations. The donated funds were used to purchase child care services under a contractual arrangement between the State agency and the Child Day Care Association of St. Louis, a United Fund member organization. Under the terms of the contract, all donated private funds plus the Federal funds generated were paid to the Child Day Care Association. The Association, in turn, purchased services only from day care centers which were sponsored by United Fund or church organizations and which were members of the Association. This arrangement limited the sources from which services could be purchased and prevented unrestricted use of the donation as contemplated by the applicable Federal regulations. Accordingly, we suggested in our report to the State that $188,089 of the total Federal reimbursement of $752,355 for the 2-year period ended December 31, 1972, should be returned to the Federal Government. This recommended financial adjustment represents the Federal matching earned on restricted donations of $250,785.

The use of restricted donations has already been brought to SRS's attention in a special report. Officials in Missouri told us that the same type of agreement is being used by the United Way in several other States and cities. We also found a similar problem during a previous audit in Arizona.

It appears that no action was taken by central office officials to correct this problem because they were not aware of it. When we advised SRS officials of this problem they promptly instructed the Regional Commissioner, SRS, to take the necessary action to recover the funds in question.

Recommendations

In order to improve control over payments for child care we recommend:

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1. Development by SRS of:

   a. A standardized chart of accounts for use by providing facilities in designing cost accounting systems for recording child care costs. This should include instructions defining the types of costs that should be charged to each major account;

   b. Criteria to indicate the minimum acceptable level for filling child care slots purchased and the required attendance for the slots filled;

   c. Policy to require that States make provision for periodically auditing child care providers on a statistical basis in order to determine the reasonableness of specific costs and to gather cost data for use in preparing budgets and contracts and other management purposes; and

   d. Policy to require that before awarding contracts, State and local contracting officials carefully study the needs for child care within a reasonable geographic proximity of the day care facilities proposing to provide child care. The results of these studies should be used to ascertain that the need for purchased child care is commensurate to the number of slots included in the contracts.

2. Development of policy by SRS to require that contracts for child care contain a clause permitting adjustment when significant variances occur between the amount of child care provided and the amount contracted for.

3. Development of policy by SRS to require that State and local contracting and disbursing officials work together to insure that, prior to final reimbursement to contractors, all necessary adjustments are made to contracts for which child care slots were not adequately filled in accordance with criteria established by SRS and OCD in recommendation 1.b. above.

4. That central office officials instruct regional office personnel to determine how widespread the use of restricted donations problem is and to implement procedures to prevent recurrence.

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5. That the SRS central office emphasize the importance of the regional offices reporting similar restricted donation problems that may exist in the future.

SRS Comments

SRS generally concurred with our findings and cited corrective action underway to improve the monitoring of private donations. Its comments indicated a general willingness to improve contracting financial controls, but did not conclusively respond to every recommendation on an individual basis. SRS's response to our financial management finding has been included as part of Appendix D.

HEW Audit Agency Note

In our letter transmitting this report we have asked SRS to provide us details within 60 days regarding their progress in implementing our recommendations.

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ESTIMATED EXPENDITURES AND SERVICES FOR TITLE IV CHILD CARE
IN THE STATES REVIEWED

(dollars in thousands)

State	FY 1971		FY 1972		FY 1973		FY 1974	
	Federal Funds	Child Care Years	Federal Funds	Child Care Years	Federal Funds	Child Care Years	Federal Funds	Child Care Years
California	$35,549	33,259	$37,932	38,635	$40,118	37,795	$42,700	40,000
Georgia	1,562	2,926	16,618	12,334	14,270	10,273	19,429	21,830
Massachusetts	2,863	3,671	3,395	3,876	6,057	5,099	8,797	7,050
Michigan	10,500	21,679	14,229	32,736	10,853	22,843	22,650	45,012
Missouri	1,547	3,086	1,969	2,887	1,434	2,109	2,515	3,730
New Jersey	1,874	2,879	4,527	3,834	7,545	5,825	12,004	8,600
Texas	1,417	3,290	5,232	7,221	6,397	7,385	10,566	12,550
Virginia	1,586	4,169	2,797	10,073	3,625	12,035	7,450	24,830
Washington	3,402	7,915	2,425	5,993	3,491	7,071	5,100	10,000
Totals	$60,300	82,874	$89,124	117,589	$93,790	110,435	$131,211	173,602

Source: Community Services Administration, SRS

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ALL STATES
ESTIMATED EXPENDITURES AND SERVICES FOR TITLE IV CHILD CARE

(dollars in millions)

Program	FY 1971		FY 1972		FY 1973		FY 1974	
	Federal Funds	Child Care Years	Federal Funds	Child Care Years	Federal Funds	Child Care Years	Federal Funds	Child Care Years
Title IV-A	$129.6	142,834	$261.2	291,290	$397.4	410,000	$630.0	658,300
WIN	29.0	95,009	37.0	91,700	37.6	80,100	65.1	103,300
Title IV-B	2.1	20,000	2.0	19,000	1.9	17,300	1.8	15,600
Totals	$160.7	257,843	$300.2	401,990	$436.9	507.400	$696.9	777,200

Source: Community Services Administration, SRS

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APPENDIX B

Results of the HEW Audit Agency's Review of Compliance with Federal State and Local Service Requirements

States Reviewed	Number of Facilities Reviewed	Number Not Meeting Child/ Staff Ratios	Number Not Meeting Health and Safety Requirements
Massachusetts	12	0	11
New Jersey	20	8	7
Virginia	75	20	17a
Georgia	12	11	9
Michigan	Compliance waived by SRS Regional Commissioner		
Texas	6	3	5
Missouri	40	7	27
California	330	123	279
Washington	112	71	70
Totals	607	243	425

a Records were not available to permit evaluation of health and safety compliance at 55 facilities.

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MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL AND REHABILITATION SERVICE
Community Services Administration

APPENDIX D

Mr. Clarence M. Coster
Associate Administrator for
Management

DATE: AUG 1 0 1974

Commissioner
ROM : Community Services Administration

UBJECT: Comments on Report on Review of Child Care Services Provided under Title IV, Social Security Act

As requested, we have made comments on many pages of the draft report. However we think this is an excellent report and a useful tool for SRS in dealing with the manifold problems of administering the child care provisions of Title IV.

Comments regarding recommendations

The Implementation of a Social Service Information System

SRS will be implementing the proposed Social Service Reporting System in the near future. A major part of the implementation plan is the provision of technical assistance to States in the development and design of their system. This system requires that States make quarterly reports to SRS. The summarized data will be used by Federal staff in monitoring the Title IV-A and B child care programs. It will also provide data for evaluating the effectiveness of child care services.

In addition to providing data concerning goal achievement, it will also provide information about child care. Data collected will include the number of children receiving child care by category (AFDC) and by goal; the total cost of such care; the number of children receiving child care services by type, that is, full-time, part-time, in-home, out-of-home; and the method by which child care services were provided.

SRS has also developed a model Social Service Information System (SSIS). This system is available to States to assist them in setting up their own social service information systems. Basically, the SSIS is a case management tool for use at the local level. Information

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provided, however, can be useful to administrative staff in making decisions affecting the client or the potential client population.

Essentially, the SSIS captures in-depth information about each client's situation. It provides some data relative to causal factors in that it identifies the problem or barrier which has resulted in the client's need for services, e.g., a need for child care. It identifies the goal established with the client as well as data showing goal movement and achievement. It also includes some data relative to economic factors such as earned income and assistance payments. In addition, it provides information about child care on each individual case, such as the number of children receiving child care by age and type of child care.

Enforcement

Efforts are being made to clarify roles and responsibilities between SRS and OCD. A memorandum of agreement between SRS and OHD has been signed regarding joint participation in implementation of the Child Abuse and Neglect Act. (Copy attached)

We are in the process of developing an objective directed toward monitoring and enforcing health and safety standards for day care.

The SRS Quarterly Compliance Reporting System is currently being reassessed.

Monitoring

SRS/CSA is currently developing a monitoring tool which may be used by Federal and State staff in monitoring all social service programs under Titles IV-A, B and VI. One of the priority components of this system is the monitoring of the child care services. Included in this component will be, among other things, monitoring of the State safety and health standards, improving compliance with the Federal Interagency Day Care Requirements in such areas as licensing or approval of day care facilities, staff training and staff/child ratios, and the compliance aspects relative to the purchase of child care services. A written report of the findings will be submitted to the appropriate program staff for whatever corrective action is deemed necessary.

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An essential phase in the development of the child care segment of this monitoring tool will be the clarification of roles between SRS and OCD relative to monitoring and the provision of technical assistance to States.

John C. Young

Attachments - 2
67 page Report with comments
Copy of Agreement dated 8/1/74

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MEMORANDUM OF AGREEMENT

BETWEEN

SOCIAL AND REHABILITATION SERVICE

AND

OFFICE OF HUMAN DEVELOPMENT

SUBJECT: Section 4(b) (3) of the Child Abuse and Neglect Act (P.L. 93-247)

1. Section 4(b) (3) of the Act requires that programs or projects related to child abuse and neglect which are funded under Title IV-A or IV-B of the Social Security Act comply with the requirements of clauses (B), (C), (E), and (F) of Section 4(b) (2) of P.L. 93-247.

2. It is agreed that SRS will issue regulations to States covering the required modifications to the Title IV-A and IV-B plans pursuant to the above statutory provision. OHD/OCD will refer to the SRS regulations as necessary in the OHD/OCD regulations implementing Section 4(b) (3) of P.L. 93-247. SRS will consult with OHD/OCD in the preparation of the SRS regulations, and OHD/OCD must concur in these regulations prior to their issuance.

3. In addition, SRS and OHD/OCD will jointly develop the review procedures necessary to determine State eligibility under Section 4(b) (3) of P.L. 93-247.

4. Further, SRS will provide OHD/OCD with the appropriate State plan revisions and on-going compliance data for concurrence by OHD/OCD.

1 AUG 1974
Date

James S. Dwight, Jr.
Administrator
Social and Rehabilitation Service

AUG 1 1974
Date

Stanley B. Thomas, Jr.
Assistant Secretary for
Human Development

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MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY

TO : All Regional Commissioners
Social and Rehabilitation Service
All Assistant Regional Directors
Office for Human Development

DATE: AUG 1 1974

FROM : Assistant Secretary for Human Development
Administrator, Social and Rehabilitation Service

SUBJECT: Coordination of Technical Assistance to Title IVA and IVB Agencies Provided by the National Center on Child Abuse and Neglect and Social and Rehabilitation Service (SRS)

P.L.93-247, the Child Abuse Prevention and Treatment Act directs the Secretary to establish a National Center on Child Abuse and Neglect which, among other activities, shall "...provide technical assistance (directly or through grant or contract) to public and non-profit private agencies and organizations to assist them in planning, improving, developing and carrying out programs and activities relating to the prevention, identification, and treatment of child abuse and neglect..." (Section 2(b)(4)).

The Secretary has placed the Center in the Children's Bureau of the Office of Child Development. Technical Assistance activities authorized under the Act will be carried out primarily by the Center's regional office staff in accordance with technical assistance guidance provided by the Center.

Inasmuch as SRS has overall responsibility for the administration of the Title IVA and IVB program, including child protective services, it is necessary to establish orderly procedures for the provision of technical assistance to those programs from OCD and SRS. Therefore, in order to coordinate the technical assistance provided by the Center and SRS to Title IVA and IVB agencies, the following procedures are to be followed at both the Central and Regional Office levels:

1. Child abuse and neglect technical assistance planning and plans will be shared by the Center and SRS.

2. All requests for technical assistance initiated by Title IVA and IVB agencies will be communicated to the appropriate Center and SRS staff.

3. SRS and Center personnel will jointly participate in technical assistance planning as well as on-site technical assistance activities.

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While this memorandum specifically addresses child abuse and neglect technical assistance activities, we encourage the development of joint OCD and SRS efforts in the broad area of child welfare programs.

The problem of child abuse and neglect is a serious national problem and a high Departmental priority.

We know that you share our concern that we do the best job possible with the resources available.

Stanley B. Thomas, Jr.

James S. Dwight, Jr.

cc: Regional Directors/DHEW
Associate Regional Commissioners for
Community Services/SRS

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MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL AND REHABILITATION SERVICE

TO : Harold Holmes
Audit Liaison & Cost Control Branch

DATE: August 26, 1974

FROM : Harry Nolan
Acting Chief, Social Services Branch

SUBJECT: Draft Audit Report on Review of Child Care Services Provided Under Title IV, Social Security Act

In response to a June 10, 1974 memorandum from the HEW Audit Agency, the Social Services Branch of the Division of States Grants Administration has reviewed the subject draft audit report and submits the following comments:

(1) Generally, we considered the sections concerning "Measurement of Program Effectiveness" and "Compliance with Federal, State, and Local Child Care Requirements" to be program oriented and should be responded to by the appropriate program people. Therefore, we have no comments.

(2) With regard to the section on Financial Management we generally concur with the findings and offer comments on the specific recommendations shown on pages 61 to 64.

a. Recommendation 1a. Development by SRS of a standardized chart of accounts for use by providing facilities in designing cost accounting systems for recording child care costs.

Comment: This is a good suggestion. When requested by the Division of Finance, DSGA can furnish technical assistance to develop a standardized chart of accounts. Additionally, DSGA can request Regional Offices for any assistance they may be able to give.

b. Recommendation 1b. Development by SRS of criteria to indicate the minimum acceptable level for filling child care slots purchased and the required attendance for the slots filled.

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Comment: We believe this suggestion should be referred to appropriate program people. DSGA will assist in developing any data necessary to formulate acceptable criteria.

c. Recommendation 1c. Development by SRS of policy to require that States make provision for periodically auditing child care providers on a statistical basis in order to determine the reasonableness of specific costs and to gather cost data for use in preparing budgets and contracts and other management purposes.

Comment: This is a good suggestion. Through internal memorandums DSGA may request Regional Offices to urge State Agencies to obtain periodic audits on child care providers. DSGA has furnished Regional Officers with financial review guides entitled Provision of Services, Purchase of Services from Public Agencies and Purchase of Services from Private Sources which enable Regional Offices to perform financial reviews of State Agencies operating and fiscal procedures. Significant amounts of material in the guides refer to reviews of child care services.

d. Recommendation 1d. Development by SRS of policy to require that contracts for child care contain a clause permitting adjustment when significant variances occur between the amount of child care provided and the amount contracted for.

Comment: Upon request by SRS program people, SRS contracting personnel and State Agencies, DSGA will furnish the necessary assistance in formulating SRS policy. Additionally, DSGA can obtain Regional assistance where practicable.

f. Recommendation 3. Development of policy by SRS to require that State and local contracting and disbursing officials work together to insure that, prior to final reimbursement to contractors, all necessary adjustments are made to contracts for which child care slots were not adequately filled in accordance with criteria established by SRS and OCD in recommendation 1b above.

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Comment. Upon request by SRS program people, SRS contracting personnel, State agencies and OCD, DSGA will furnish the necessary assistance in formulating SRS policy. Additionally, DSGA can obtain Regional assistance where practicable.

g. Recommendation 4. Assistance to States in designing and implementing cash payment control systems. (Elaborated upon Page 63)

Comment. Upon request, DSGA and Regional Offices (where practicable) can offer assistance to the Division of Finance and appropriate program and State Agency people to develop and implement a cash payment control system.

h. Recommendation 5. Revision of the SRS Quality Control Manual to require more emphasis on child care when reviewing AFDC payments. (Elaborated upon Page 64)

Comment: Upon request, DSGA and Regional Offices (where practicable) can work with appropriate program and State Agency people to make whatever revisions are considered necessary to the SRS Quality Control Manual.

i. Recommendation 6. That Central Office officials instruct Regional Office personnel to determine how widespread the use of restricted donations problem is and to implement procedures to prevent recurrence.

Comment: DSGA Central Office people are currently working with CSA personnel on the restricted donations problem. Several meetings have already been held. Additionally, a financial review guide entitled, "Donated Private Funds," has been developed by DSGA and distributed to all Regional Offices for their use. The objective of the donated private funds financial review guide is to determine whether Federal regulations regarding the conditions for unrestricted use of donated funds are being followed, and to assess the impact on Federal funding of any deficiencies noted.

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j. Recommendation 7. That the SRS Central Office emphasize the importance of the Regional Offices reporting similar restricted donation problems that may exist in the future.

Comment: The financial review guide mentioned above has been distributed to Regional Offices with a letter requesting results of reviews in this program area be sent to Central Office. In this manner we hope to be apprised of any problems that may occur in more than one Region in order to take necessary action.

Should any additional information be required please contact Morris L. Wisotsky, Extension 50437.

MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL AND REHABILITATION SERVICE
Assistance Payments Administration

TO : Samuel E. Martz
Associate Administrator
for Management

DATE: JUL [illegible]

FROM : Commissioner
Assistance Payments Administration

SUBJECT: HEW Audit Agency's "Review of Child Care Services Provided Under Title IV, Social Security Act

Attached are comments prepared by Assistance Payments Administration staff in regard to the audit report cited above.

John A. Svahn

Attachment

00056

HEW Audit Agency's "Review of Child Care Services Provided Under Title IV, Social Security Act

Child care costs in a State may be provided as a work expense deducted from earnings, as an item of need in the assistance standard, or as a service cost. Even though it is in the assistance standard, usually as a special need, the claim for reimbursement may be at the services rate.

The provision that requires standards for child care in a child's own home as stated on Page 6 is a questionable one since many children live full time in sub-standard housing and it is not within the purview of a welfare agency authority to assure that all children live in homes that meet specified housing specifications.

When payments are provided by the parent from work expenses or through the assistance payment, the caretaker relative is free to make whatever arrangements she wishes. She is not required to use a particular facility.

Attention is called to NCSS Report E-4 which provides some date in relation to arrangements for day care of children under WIN and the number of caretaker relatives who could not be certified for participation in the WIN program solely because adequate child care arrangements were not available.

With regard to the recommendation for closer coordination between SRS and OCD on child care issues, it is suggested the APA [redacted] be included in such consideration.

On page 14 there is a statement that "payments made directly to recipients of child care as part of the AFDC cash grant or as vendor payments are not being controlled. Also pages 15 and 16 contain a recommendation for assuring control of case payments. It should be brought to attention that the assistance payment to the recipient is to be free of control or restriction under Federal law and regulations. This is not applicable to correctly paid vendor payments or to service payments.

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As to general comments, it is suggested that the report would be more accurately entitled "Review of Services for Child Care under Title IV of the Social Security Act. The present title is broad enough that it could refer to foster care of children under the AFDC - Foster Care program as well as child day care. More frequent differentiation between "out-of-home" and "in home" day care would be helpful to the reader. It is recognized that "in home" care may be provided either as a service cost or thru consideration of costs in the assistance payment. Instead of references to "child care" use of "child day care" would also be more precise.

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